



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Edelen Releases Audit of Rockcastle County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Adam Edelen has released the audit of the financial statements of the Rockcastle County Fiscal Court for the fiscal year ended June 30, 2011. State law requires annual audits of county fiscal courts.

The audit found that the county's financial statements, in all material respects, fairly present the county's assets, liabilities, and net assets arising from cash transactions and revenues received and expenditures paid in conformity with the modified cash basis of accounting.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

**The payroll revolving account should be reviewed to identify all activity passing through the account.**

**Condition:** The payroll revolving account is not being reconciled sufficiently to prevent bank overdraft charges.

**Criteria:** Internal controls should be in place to provide for the accurate reconciliation of this account.

**Cause:** There are no procedures in place to require that this account be reconciled to zero.

**Effect:** The payroll revolving account is periodically overdrawn and generating insufficient funds charges.

Recommendation: Procedures should be implemented to identify all transactions that pass through this account to allow for adequate deposits to prevent bank overdrafts.

*Judge/executive's response: The fiscal court agrees with this finding and will review this account and take measure to resolve the matter.*

**The jail inmate account should be reconciled monthly to ensure the detailed records agree with the bank transactions.**

Condition: The jail commissary inmate account detailed records did not agree with the bank statement activity for the Jail Inmate Account and the Jail Commissary operating cash account did not agree to the Jail's annual report.

Criteria: Internal controls should be in place that require monthly reconciliations to the bank statement and an annual reconciliation of the detailed records to the bank statements for both the Jail Commissary Inmate Account and the Jail Commissary Operating Cash Account.

Cause: Procedures have not been established to require that these activities take place.

Effect: The Jail cash accounts could be misstated and the annual report could be reported incorrectly.

Recommendation: To ensure that the Jail Commissary Inmate Account is appropriately accounting for financial activity, we recommend that bank reconciliations are performed timely and accurately and that a software system be implemented to assist with these activities.

*Jailer's response: In realizing that all monies were accounted for, the jailer will review procedures to ensure they follow the techniques suggested by the auditors and will convert to a computerized system to account for financial transactions.*

**The jailer's annual report should be presented in a manner that presents total receipts and disbursements and reconciles cash.**

Condition: The jail commissary's annual report was submitted in a check register format.

Criteria: The jail commissary should have established procedures that allow for the correction presentation of their annual report.

Cause: The method of presentation of this report has not been established with those responsible for its presentation.

Effect: The report is not summarized to allow for a sufficient review of the jail commissary activities.

Recommendation: We highly suggest the jail commissary implement a software system to account for their revenues and expenses in a format that will allow for preparation of an annual report that can be effectively reviewed by the fiscal court.

*Jailer's response: By converting to a computerized system, we will be able to produce a report in the format required.*

**Debt activity should be reconciled quarterly.**

Condition: The debt activity is not being monitored and reconciled on a regular basis.

Criteria: Internal controls should be in place to ensure that all debt activity is being monitored and reported accurately.

Cause: A portion of the debt is maintained independently of the fiscal court's accounting system and is not being addressed in the normal internal control processes.

Effect: Errors in debt accounts could occur and not be addressed in a timely manner.

Recommendation: We recommend that all debt activity of the fiscal court be reviewed and reconciled at least quarterly.

*Judge/executive's response: The fiscal court agrees with this finding and will take measures to monitor this account going forward.*

**All invoices should be paid within 30 days as required by KRS 65.140.**

Condition: Invoices are not being paid in the time frame established by KRS.

Criteria: Internal control procedures should be in place to ensure invoices are paid timely.

Cause: Circumstances may arise where costs are questioned or invoices are not received in a timely fashion.

Effect: The fiscal court could potentially incur late charges and penalties for not paying timely.

Recommendation: While we understand the challenges associated with vendors remitting timely invoices, we encourage the fiscal court to pay all invoices within the 30 day timeline.

*Judge/executive's response: The fiscal Court agrees with this finding and will continue to work on paying all invoices within thirty working days.*

**The debt service fund should be budgeted and included in the 4<sup>th</sup> quarter treasurer's report as required by KRS 68.360.**

Condition: The debt service fund is not being budgeted and included with the fiscal court's quarterly reports.

Criteria: All funds of the fiscal court are required to be budgeted and included in the quarterly reports.

Cause: Internal controls have not been implemented to ensure this process is taking place.

Effect: The debt service funds are not being compiled in a format to allow for accurate financial reporting.

Recommendation: We suggest the fiscal court establish processes to ensure that all funds are included in the 4<sup>th</sup> quarter treasurer's report to comply with Kentucky Revised Statutes.

*Judge/executive's response: The fiscal court agrees with this finding and will do a budget amendment to include this activity for fiscal year 2012.*

**The fiscal court should place one-half of the forestry funds to the credit of the public roads and the other half shall be distributed to each school district as required by KRS 149.130(3).**

Condition: The forestry funds were not distributed to the school district

Criteria: KRS statute requires that these funds be distributed 50% to public roads and 50% to the school district.

Cause: The fiscal court elected to not follow this policy.

Effect: The fiscal court is not in compliance with KRS.

Recommendation: We recommend that the fiscal court inquire when there are suspected changes in statutes to ensure that the distribution of revenues are in compliance.

*Judge/executive's response: The fiscal court does not agree with this finding. They did not believe they were under an obligation to disburse the funds as indicated by the Statute due to a change in the State funding formula.*

**The fiscal court should maintain grant files in a manner that allows for a complete and accurate accounting of all expenditures and revenues received.**

Condition: A summarized accounting for the Federal Emergency Management Agency grant activity was not readily available.

Criteria: Procedures and appropriate oversight should be established for the administration of all grant activities.

Cause: The grant was for emergency activities and was not established in the normal process for grant administration.

Effect: There was difficulty in determining the total expenses associated with the event that could result in a potential misstatement of federal funds expended.

Recommendation: Due to the compliance requirements associated with the expenditure of federal funds, we encourage the fiscal court to continue to strengthen these processes.

*Judge/executive's response: The fiscal court did establish procedures to record these funds, however, inadvertently some items were not recorded as intended. The fiscal court makes all attempts to record grant funds correctly and completely.*

This report, in its entirety, can be accessed on the Internet at the following site: [here](#).

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